

1999

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PLEASE USE THIS LABEL
ON YOUR RETURN



1999 Partnership/LLP/LLC Income Tax Forms

If someone else prepares your income tax return, please take this forms packet to that person so the peel-off label above and the enclosed envelope may be used for your return. There are some important things you can do to help speed processing and reduce the cost of your government:

- **Use the peel-off label.** Remove the label and place it in the name and address area of your return. If the label is NOT correct, neatly mark through incorrect information and plainly print or type correct information on the label. **DO NOT USE THIS LABEL ON COMPUTER GENERATED FORMS.**
- **Use the envelope enclosed inside this booklet.**
- **Additional schedules and attachments may be stapled to your return.**
- **Web site** - Please visit our web site located at <http://mstc.state.ms.us> to find any updates to the instructions and/or worksheets that are contained in this booklet. Click on **Tax Area** in the index and then on **Corporate Income and Franchise Tax, Partnerships, LLP, LLC.**

CHANGES FOR 1999:

NEW 1999 LEGISLATION

A new tax credit was added that provides an income tax credit to certain taxpayers who incur cost for approved reforestation practices. Partnerships must use Form 83-315, Reforestation Tax Credit. The credit earned by the partnership is passed through to the partners and claimed on their returns as a credit against their income tax liability. See instructions inside. (House Bill 382)

GENERAL INSTRUCTIONS

HOW TO FILL OUT FORMS

Use **Black Ink** when preparing these returns.

Indicating a Loss - To indicate a loss (negative income), shade the minus (-) box next to the dollar amount. See the example on page 6 of these instructions.

WHO MUST FILE

Every partnership, LLC, or LLP, domestic or foreign, deriving income from property owned within the State of Mississippi, or business, trade, profession or occupation, carried on within the State must file a Mississippi Partnership/Limited Liability Company/Limited Liability Partnership income tax return, Form 86-105 (which must be filed with a copy of the Federal return attached.)

DEFINITIONS

The term "partnership" includes a syndicate, group, pool, joint venture or other unincorporated organization through or by means of which any

business, financial operation or venture is carried on, and which is not within the meaning of a corporation or a trust or estate.

A domestic or foreign limited liability company (LLC) is classified as an entity for purposes of Mississippi income tax laws in the same manner as the entity is classified for Federal income tax purposes. If an LLC is treated as a partnership for federal income tax purposes, it will file as a partnership for Mississippi purposes. If an LLC is treated as a corporation for federal income tax purposes it will file as a C-corporation for Mississippi income and franchise tax purposes.

In these instructions, all three entities (partnership, LLC, and LLP) may, at times, be referred to as "partnerships", and partner/members referred to as "partners".

TIME AND PLACE FOR FILING

Calendar year partnerships, LLCs and LLPs must file no later than April 15 annually. Fiscal year partnerships, LLCs and LLPs must file no later than the 15th day of the 4th month following the end of the fiscal year. An extension of time to file a partnership/LLC/LLP return can be requested. Generally, an extension of time to file a Federal partnership return is recognized as an extension of time to file the state return. A copy of the Federal authorized extension of time to file, Form 8736 (and Form 8800 if additional time to file was requested), should be attached to the Mississippi return.

The partnership/LLC/LLP return should be mailed to: **Office of Revenue P. O. Box 23050, Jackson, MS 39225-3050.**

PERIOD TO BE COVERED BY THE RETURN

Returns shall be filed on the basis of the 12-month accounting period established by the partnership, LLC or LLP for Federal income tax purposes which generally will be on a calendar year basis. If the return is for a fiscal year or a short tax year, fill in the tax year space at the top of the return.

PAYMENT OF TAX

A partnership, LLC or LLP does not pay tax on its income but "passes through" any profits or losses to its partners. Partners must include partnership items on their income tax returns.

Individual partners are subject to tax upon their distributive share of partnership net income, whether it is distributed to them or not. A nonresident individual, who is a member of a partnership owning property or doing business in the State of Mississippi, is subject to tax on his share of the partnership net income, whether distributed or not. If the partnership does business both within and without the state, it will be necessary to compute the income (or loss) of the partnership from sources within the state separately from the other income in order to determine the amount of income taxable to, or the amount of the loss deductible by, the nonresident partners. The nonresident partner is subject to tax only on such share of his income, whether or not distributed, as is assignable to Mississippi.

In the event the individual partners fail to report and pay the taxes imposed according to Section 27-7-25 of the Mississippi Code of 1972, as amended, then the partnership and the general partners shall be jointly and severally liable for said tax liability and shall be assessed accordingly. However, the partnership and/or general partners shall not be liable if the partnership withholds five percent (5%) of the net gain or profit of the partnership for the tax year and remits the same to the Commissioner. Partnerships electing to report tax on partnership net income in this manner should request Form 86-387, Withholding of Partnership Income. A separate voucher must be remitted for each partner in order that payments can be properly credited. Partners with tax remitted to the State Tax Commission through partnership withholding should claim the amount as estimated tax on his or her individual income tax return. Form 86-387 should be provided to the partner by the partnership showing the correct amount withheld.

A partnership that has income from sources within and without Mississippi should withhold from Mississippi source income only. The Commissioner may allow composite return filing by a partnership. Instructions for filing a composite return are shown below.

WHO MUST SIGN

Form 86-105 is not considered to be a return unless it is signed. One general partner or limited liability company member must sign the return. If a receiver, trustee in bankruptcy, or assignee controls the organization's property or business, that person must sign the return.

INTEREST AND PENALTY PROVISIONS

Late Payment - Interest at the rate of 1% per month from the regular due date until paid, is due on the amount of unpaid tax whenever such is not paid on the regular due date, even though an extension of time to file the return has been granted or authorized. The penalty imposed for failure to pay the tax when due is 1/2% per month based on tax not paid by the due date not to exceed 25% in the aggregate.

Late or Non-File - Penalties are imposed for failure to file a return or pay the tax when due. The penalty imposed for failure to file a return is 5% per month not to exceed 25% in the aggregate. The penalty imposed for failure to file is based on the additional amount of tax due. Such failure to file a return penalty shall not be less than \$100.

Incomplete Returns - A partnership that does not file a complete return or does not file a return within the prescribed time may be subject to a penalty of \$25 per required attachment or schedule up to a maximum of \$500 per return.

To be a complete return, a return should contain all the requisite general information, as well as all summary tax information and the basic back up schedules.

Examples of the required general information are complete name, current address, ID number, description of product or services, and other information relating to the filing entity as requested on page 2 of Form 86-105.

Examples of the summary tax information are the front page of the return, the computation of net income, the computation of the apportionment factor (if income is apportioned), the direct accounting income statement (if applicable), and Schedule K reflecting information pertaining to partners' distributive shares of income and deductions.

Examples of the basic backup schedules are details of other additions or other deductions as requested on the computation of net income schedule, details of other additions or other deductions as requested on other statements made a part of the return, and details of nonbusiness income or loss directly allocable to Mississippi and other business income or loss as requested on the front page of the return.

THE FOLLOWING MAY BE OF INTEREST TO THE PARTNERS:

NET OPERATING LOSSES

For any taxable year ending after December 31, 1997, the period for net operating loss carrybacks and net operating loss carryovers shall be the same as those established by the Internal Revenue Code and the rules, regulations, rulings and determinations promulgated thereunder. §27-7-17(1)(L) of the Mississippi Code of 1972, as amended, was amended so that when the Internal Revenue Code loss carryback and carryforward periods changes the Mississippi carryback and carryforward will change as well.

For years ended on or before December 31, 1997 the following applies: A net operating loss for any tax year ending after December 31, 1991, could be carried back to the taxable year preceding the year of the loss. A net operating loss for any tax year ending after December 31, 1992, can be carried back to the 2 taxable years preceding the year of the loss. A net operating loss for any tax year ending after December 31, 1993, can be carried back to the 3 taxable years preceding the year of the loss. Carry the net operating loss to the earliest year first. A short taxable year counts as a taxable year. A taxpayer can elect to relinquish the entire carryback period with regard to a net operating loss from an eligible year, but once this election is made, it cannot be changed.

Prior to January 1, 1992, Mississippi allowed a 5 year NOL carryforward but no carryback.

CAPITAL LOSS CARRYBACKS/CARRYFORWARDS

Effective for tax years beginning on or after January 1, 1992, the capital loss provisions were changed for Mississippi income tax purposes. Prior to the change, capital losses could be deducted against other income, but they were not allowed to be carried forward. After the law change, capital losses can only offset capital gains, but a capital loss can be carried back to the 3 taxable years preceding the loss year and be carried over to the 5 years succeeding the loss year. All provisions of the Internal Revenue Code in regard to limitations on capital losses, capital loss carrybacks and carryovers and holding periods shall be applicable.

COMPOSITE RETURNS

A partnership may elect to file a composite return on behalf of its partners in very limited circumstances. A composite return is a return in which a partnership pays the income tax due for some, or all, of its partners. The only partners who are eligible to be included in the composite return are nonresidentindividual partners (natural persons) without any activity in Mississippi other than that from the partnership. Resident partners and nonresident partners with other activity in Mississippi cannot be included in a composite return. Each of these partners must file his or her own return.

If the partnership elects to file a composite return, the partnership return is completed and filed like any other partnership return, but an additional schedule is attached listing the partners, the partner's identification or social security number, and the partner's distribution that is to be included in the composite return. In addition, the partnership files a nonresident individual return under the partnership name and identification number in which it includes the composite income. The partnership is allowed to deduct 10% of adjusted gross income not to exceed \$5,000 per composite return on the income that relates to individuals as the amount for personal exemptions or standard deductions.

Once a partnership begins filing a composite return, it must continue unless permission to change is granted in writing by the Commissioner.

INSTRUCTIONS FOR COMPUTING TAXABLE INCOME

Generally, all domestic and foreign Partnerships having income from sources within Mississippi must complete Form 86-122, Computation of Net Taxable Income Schedule, which makes adjustments for additions to and deductions from Federal ordinary income due to differences in Federal and Mississippi laws, in arriving at the net income (loss) for State purposes.

Total Assignment of Income. If the business activity in respect to any trade or business of the Partnership occurs within this state, and if by reason of such business activity the Partnership is not taxable in another state, the total net income (loss) of the Partnership is assigned to Mississippi.

Direct or Separate Accounting. Any Partnership, taxable both within and without this State, which maintains or could maintain books of account detailing allocation of receipts and expenditures reflecting clearly the business income attributable to property owned or business done in this State, shall determine Mississippi net business income (loss) from such business activity on the basis of direct or separate accounting. See Regulation 806 for guidelines and details. Multistate entities filing direct accounting must complete Form 83-124, Direct Accounting Income Statement. Multistate construction contractors must complete page 2 of Form 83-124.

Apportionment of Business Income. If the business activity in respect to any trade or business of a partnership occurs both within and without this state, and if by reason of such business activity the Partnership is taxable in another state, the portion of the net income (loss) arising from such trade or business which is derived from sources within this state, shall, where direct or separate accounting of net income (loss) is not feasible, be determined by apportionment in accordance with the formulas prescribed by Regulation 806. In such case, the Partnership must complete Form 83-125, Mississippi Business Income Apportionment Schedule.

Allocation of Nonbusiness Income. Nonbusiness income (loss) shall be allocated by multistate Partnerships within and without this state in accordance with the provisions of Regulation 806.

Divisional Accounting. If the business activity in respect to any trade or business of a partnership is conducted on a division basis and a division or divisions of the Partnership are "doing business" within this state, the Mississippi taxable income of the Partnership, where separate accounting is or can be maintained on each division, shall, at the election of the Commissioner, be determined on a divisional basis in lieu of a company-wide accounting basis. See Regulation 806.

BUSINESS INCOME OF PRODUCERS OF MINERAL OR NATURAL RESOURCE PRODUCTS

Taxpayers engaged in the trade or business of producing oil, gas, other liquid hydrocarbons, sulphur, coal, sand, gravel and other mineral or natural resource products, except timber, shall determine Mississippi net business income from such activity on a direct or separate accounting basis. The Mississippi gross business income from the production of mineral or natural resources shall include:

- (a) Sales of natural or mineral resources produced in Mississippi and sold in this state;
- (b) the market value, at the time of transfer, of all natural or mineral resources produced in this state and transferred by the taxpayer to another state for sale, refining, processing or manufacturing, provided that if the natural or mineral resources are sold by means of an "arms-length" transaction prior to refining, processing or manufacturing, the market value prescribed herein shall not exceed the selling price; and
- (c) the market value at the time of transfer, of all natural or mineral resources produced by the taxpayer in Mississippi and transferred to a refinery, processing plant, or manufacturing facility of the taxpayer in Mississippi.

A natural resource product shall be deemed to be sold in Mississippi if it is located in this state at the time title thereto passes to the purchaser. In the absence of specific proof of value of natural resources at the time of transfer from the state, the value of natural resources at the time of production shall be determined in accordance with the methods prescribed for the determination of "gross income from the property" for purposes of percentage depletion for federal income tax purposes.

INCENTIVE CREDITS

Incentive credits arising at the partnership, LLC or LLP level are passed through to the partners/interest owners based on their percentage of ownership in the entity earning the credit. **As a general rule, the credit passed through to the partner/interest owner can be applied only to the income tax attributable to the partner's/interest owner's income derived from the entity earning the credit.**

In the case of a Mississippi resident who is a partner in a multistate partnership, credits passed through from the partnership may be used to offset only the amount of income tax attributable to the partner's share of partnership income assigned to Mississippi.

For any of these credits to be allowed, schedules must be attached showing the computations.

Form 83-401, Income Tax Credit Summary, should be completed and attached as a part of the return. For an information package containing additional information, please write the Mississippi State Tax Commission, Corporate Tax Division, P. O. Box 1033, Jackson, MS 39215-1033.

The following is a brief description of the major credits allowed under State statutes:

Jobs Tax Credit. A credit is allowed for increasing employment levels in certain types of business. For a credit to be allowed, the business must be primarily engaged in manufacturing, processing, warehousing, distribution, wholesaling, or research and development; or designated by rule and regulation by the Department of Economic and Community Development as air transportation and maintenance facilities, final destination or resort hotels having a minimum of 150 guest rooms, or movie industry studios, or telecommunications enterprises.

The amount of the credit or exemption is determined by the classification of the county in which the qualified job is located. The 82 counties are divided into 3 groups. These groups are less developed, moderately developed and developed.

Credit is allowed annually for each net new full time job created for 5 years beginning with years 2 through 6 after the creation of the job. Credit is not allowed for a year if the net employment increase falls below the minimum level. The dollar credit per employee and the minimum number of new jobs needed to be created, in a given year, to qualify for this credit is listed below.

County Classification	Minimum No. of Jobs in a Given Year	Dollar Credit Per Job
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Less Developed

10 or More

\$2,000 Annually

Moderately Developed
Developed

15 or More
20 or More

\$1,000 Annually
\$500 Annually

The number of jobs created is calculated by taking the average level of employment for the given year (taxpayers reporting period for income tax) less the average level of employment of the prior reporting prior (12 months). The Corporate Tax Division should be consulted if short periods are involved. This is the only credit that involves the use of a average increase over the prior year in its calculation.

Form 83-450, New Jobs Credit Schedule, must be completed and attached to the return.

National and Regional Headquarters Credit. A credit of \$500 for each net new full-time employee is allowed for any company establishing or transferring its national or regional headquarters from within or outside the State of Mississippi. The headquarters credit is available to any company regardless of the business in which it engages except for businesses engaged in the transportation, handling, storage, processing or disposal of hazardous waste.

Research and Development Jobs Skills Credit. A \$500 credit is authorized for each full-time employee in any new job requiring research and development skills. Specific examples of jobs requiring research and development skills are chemists and engineers. Qualification of other jobs for this credit would require as a minimum a bachelors degree in a scientific or technical field of study from an accredited four (4) year college or university, employment in the area of expertise and compensation at a professional level. The research and development job credit is available to any company regardless of the business in which it engages.

A business interested in qualifying for the research and development jobs tax credit should request approval in writing and provide the following information for each individual research and development position: (1) Title, (2) Purpose, (3) Education requirements, (4) Experience requirements, (5) Hours worked per week, (6) Salary or compensation and (7) Expected hire date. The applicant will be notified on approval of the application for credit.

Businesses that employ a person in an approved research and development job for less than their full tax year will be allowed that portion of the \$500 yearly credit in the ratio that the number of qualified full months that the employee worked in the state divided by 12.

Child/Dependent Care Credit. An income tax credit is allowed to any employer providing dependent care for its employees during the employee's working hours. The credit allowed is 50% of qualified expenses. This credit can offset 100% of income tax. Any excess credit will not be refunded, but can be carried forward for up to five years. An expense cannot be used both as a deduction and as the basis for a credit. Any expense used in computing the allowable credit cannot be taken as a deduction.

Employers must have their child care program certified by the Department of Health for programs serving children twelve (12) years of age or younger and for programs serving elderly adults and by the State Tax Commission for programs serving other dependents older than twelve (12) years of age. A copy of the certification must be furnished by the taxpayer to the State Tax Commission when the certification is granted. Information can be obtained at the following office: Mississippi State Department of Health, Division of Child Care and Special Licensure, P. O. Box 1700, Jackson, MS 39215-1700.

Basic Skills Training or Retraining Credits. A credit is allowed for certain employer-sponsored basic skill training and retraining programs.

The credit allowed is 25% of qualified expenses not to exceed 50% of the income tax liability. Any excess credit will not be refunded, but can be carried forward for up to five (5) years. The job training and retraining tax credit shall be in addition to all other tax credits heretofore granted by the laws of this state.

Temporary Assistance to Needy Families Wages Paid Credit. This income tax credit is for employers who hire persons who are receiving Temporary Assistance to Needy Families (TANF) at the date of hire. This credit was repealed from and after January 1, 1999. No one hired on or after January 1, 1999 will qualify an employer for this credit.

No credit shall be claimed for wages paid to any person for more than 36 months, regardless of the number of employers who employ such person.

An employer shall not receive the credit if such employer dismisses an employee to create a position for an TANF recipient. Any unused credit cannot be carried forward.

Form 83-455 is **required** to be filed with the Mississippi State Tax Commission within 45 days of hiring such person. Failure to do so will void any credit which the employer was eligible for due to hiring such person. This form is available by calling (601)923-7000. As with any other credit a detailed schedule must be attached to the income tax return in which TANF tax credit is claimed.

Mississippi Business Finance Corporation Revenue Bond Service Credit. Only debt service paid on revenue bonds issued by the Mississippi Business Finance Corporation to finance economic development projects to induce the location of manufacturing facilities within this state can be taken as a credit. This credit can be used against the taxes due from the income generated by or arising out of the economic development project. For more information on the benefits of this program contact the Mississippi Department of Economic and Community Development, P. O. Box 849, Jackson, MS 39205-0849.

Ad Valorem Inventory Tax Credit. This is an income tax credit for manufacturers, distributors and wholesale or retail merchants for a certain amount of ad valorem taxes paid on commodities, goods, wares and merchandise held for resale. The credit may be claimed only in the year in which the ad valorem taxes are paid and may be claimed for each location where such commodities, products, goods, wares and merchandise are found and upon which the ad valorem taxes have been paid. For the 1997 tax year and beyond the tax credit for each location on which ad valorem taxes have been paid, shall not exceed the lesser of \$5,000 or the amount of income taxes attributable to such location.

The act also provides that any ad valorem taxes paid by a taxpayer that is applied toward the tax credit may not be used as a deduction by the taxpayer for state income tax purposes. **A COPY OF THE TAX RECEIPT FROM THE COUNTY THAT SHOWS THE INVENTORY VALUATION AND A SCHEDULE SHOWING THE CALCULATION OF THE AD VALOREM TAX PAID BASED ON THE VALUATION MUST BE ATTACHED TO THE RETURN.**

Export Port Charges Credit. An income tax credit is authorized for taxpayers that utilize the port facilities at state, county, and municipal ports. The income tax credit is equal to the total export cargo charges paid by the taxpayer for: (a) receiving in the port; (b) handling to a vessel; (c) wharfage. The credit provided shall not exceed 50% of the amount of tax imposed upon the taxpayer for the taxable year reduced by the sum of all other credits. Any unused portion of the credit may be carried forward for the succeeding 5 years. The maximum cumulative credit that may be claimed by a taxpayer pursuant to this act beginning January 1, 1994 and ending December 31, 2002 is limited to \$1,200,000. The act is effective January 1, 1994, and shall stand repealed after December 31, 2002.

Reforestation Tax Credit - Beginning in 1999, this credit, based on the costs incurred for certain approved reforestation practices, is an amount equal to the lesser of fifty percent (50%) of the actual cost of approved practices or fifty percent (50%) of the average cost of approved practices as established by the Mississippi Forestry Commission. The lifetime maximum reforestation tax credit that an eligible owner may earn and/or utilize is ten thousand (\$10,000) in the aggregate. For a partnership, these limitations apply to the partnership and to each partner. In any taxable year, the credit shall not exceed the lesser of ten thousand (\$10,000) or the amount of income tax imposed upon the eligible owner for the taxable year reduced by the sum of all other credits allowable to the eligible owner. Any unused portion of the credit may be carried forward to succeeding years. Generally, reforested acreage on which the eligible owner receives any state or federal cost share assistance funds to defray the cost of an approved reforestation practice is not eligible for the credit.

General Restrictions on the Incentive Credits

The only credits whose usage are dependent on another credit are the Export Port Charges Credit and the Reforestation Tax Credit. The Reforestation Tax Credit should be used last. The total of the Jobs Tax Credit, the Headquarters Credit and the R & D Skills Credit, cannot exceed 50% of the total income tax due. The other credits are not limited in such a manner and their usage will be independent of one another. When one credit is limited to 50% of the income tax due and another one is also limited to 50% then combined they may offset 100% of the income tax due. It will be up to the taxpayer to list which credits are to be used on the tax return. Please keep in mind that a number of the credits do not have carry forward provisions.

Advanced Technology, Enterprise Zone or Corporate Headquarters Facilities Credit are credits that were qualified for prior to July 1, 1989 that are still being used by a few taxpayers. They can offset 100% of the income tax due but they cannot be carried forward.

A deduction will not be allowed for any expense which serves as the basis for an income tax credit. Since the credit is against 100% of Mississippi tax, the disallowed deduction shall be an add back to Mississippi income or loss after any apportionment of income.

The credits allowed shall not be used by any business enterprise or corporation other than the business enterprise actually qualifying for the credit.

LINE ITEM INSTRUCTIONS FOR FORM 86-105 PAGE 1

Taxpayer Information

Please provide all information requested. County codes are listed in the following table. Enter the code corresponding to your principal business location.

County Codes.

County	Code	County	Code	County	Code
Adams	01	Itawamba	29	Pike	57
Alcorn	02	Jackson	30	Pontotoc	58
Amite	03	Jasper	31	Prentiss	59
Attala	04	Jefferson	32	Quitman	60
Benton	05	Jefferson-Davis	33	Rankin	61
Bolivar	06	Jones	34	Scott	62
Calhoun	07	Kemper	35	Sharkey	63
Carroll	08	Lafayette	36	Simpson	64
Chickasaw	09	Lamar	37	Smith	65
Choctaw	10	Lauderdale	38	Stone	66
Claiborne	11	Lawrence	39	Sunflower	67
Clarke	12	Leake	40	Tallahatchee	68
Clay	13	Lee	41	Tate	69
Coahoma	14	Leflore	42	Tippah	70
Copiah	15	Lincoln	43	Tishomingo	71
Covington	16	Lowndes	44	Tunica	72
Desoto	17	Madison	45	Union	73
Forrest	18	Marion	46	Walthall	74
Franklin	19	Marshall	47	Warren	75
George	20	Monroe	48	Washington	76
Greene	21	Montgomery	49	Wayne	77
Grenada	22	Neshoba	50	Webster	78
Hancock	23	Newton	51	Wilkinson	79
Harrison	24	Noxubee	52	Winston	80

Hinds	25	Oktibbeha	53	Yalobusha	81
Holmes	26	Panola	54	Yazoo	82
Humphreys	27	Pearl River	55	Out-of-State	83
Issaquena	28	Perry	56		

Lines 1-5b Check the appropriate box and/or provide the information requested.

Line 6a Enter the amount from Form 86-122, line 15. Form 86-122 uses Federal net income as a beginning point. Adjustments for additions to and deductions from Federal net income are required because of the differences in Federal and Mississippi tax laws. If 100% of income is assigned to Mississippi, skip lines 6b-15 and enter the amount from line 6a on line 16.

Line 6b Enter the amount from Form 86-122, line 22. This amount represents adjusted Federal net income or loss exclusive of Capital/Other Gains or Losses. Mississippi Forms 83-135, 83-140 and/or 83-145, which have been devised to facilitate allocation and/or apportioning for multistate purposes, should be used rather than the corresponding Federal Forms Schedule D and 4797.

Line 7 Enter the net nonbusiness income or loss from all sources directly allocable **within and without** Mississippi. Attach a schedule detailing the nonbusiness income and expenses attributable thereto.

Line 8 Subtract line 7 from line 6. This is the amount of multistate business income or loss subject to apportionment.

Line 9 Enter the apportionment ratio from the appropriate line on Form 83-125, Business Income Apportionment Schedule, Part II.

Line 10 Multiply line 8 by line 9. This is Mississippi business income or loss for multistate taxpayers.

Line 11 Enter the amount from line 19, Form 83-135, Allocable and Apportionable Capital Gains and Losses.

Line 12 Enter the amount from line 12, Form 83-140, Sales of Property for Allocable Gain or Loss, or line 12, Form 83-145, Sales of Property for Apportionable Gain or Loss, as applicable.

Line 13 Enter the amount from Form 83-124, Direct Accounting Income Statement page 1, line 31 or page 2, line 15, as applicable.

Line 14 Enter the net nonbusiness income or loss directly allocable **within** Mississippi. Attach a schedule detailing the nonbusiness income and expenses attributable thereto.

Line 15 Enter the amount of any other business income or loss not included above. Attach a schedule detailing income and expenses.

Line 16 Combine lines 10 through 15 and enter the total here. This is Mississippi Taxable Income or Loss. This amount should equal the total of "Net Income" amounts from all **nonresident partners**'.

Line 17 Check the applicable box(es).

Note: If a partnership makes the election provided for in Mississippi Law (Section 27-7-25), an amount equal to 5% of the combined net incomes of both resident and nonresident partners should be withheld and remitted to the Commissioner with Form 86-387, Withholding on Partnership Income.

Instructions for Form 86-122 Computation of Net Taxable Income Schedule

Line 1. Enter the amount of ordinary income or loss from trade or business activities from Federal Form 1065, Page 1.

Line 2. Enter the net amount of the pass-through income or loss items shown on Federal Form 1065, Schedule K, Lines 2 through 7.

Line 3. Enter the total amount of pass-through deductions shown on Federal Form 1065, Schedule K, Lines 8 through 12a, Line 17e, and Line 18b.

Line 4. Total Combine Lines 1 and 2, and then subtract Line 3 from the result. This amount represents Federal Ordinary Income.

State Additions to Income

Line 5. State Income Tax Adjustment Taxes based on income are not deductible. Enter the amount of state, local and foreign government income taxes claimed as a deduction on Form 1065.

Line 6. Interest Adjustment Interest on obligations of states and political subdivisions thereof outside Mississippi is taxable for Mississippi purposes. Enter the amount of interest on obligations of states and political subdivisions thereof (**other than Mississippi**) received by the partnership, **net of expenses**.

Line 7. Depletion Adjustment No deduction is allowed for depletion in excess of the cost basis of the depletable asset. Enter the amount of depletion claimed on Form 1065 in excess of the cost basis of the asset on which the depletion is claimed.

Line 8. Other Additions Add back any other item, the taxability of which is treated differently for Mississippi income tax purposes than was treated for Federal income tax purposes. Itemize here. Attach a schedule if needed.

Line 9. Total Additions Self-explanatory.

State Deductions from Income

Line 10. Exempt Interest Interest received on U. S. Government obligations is not taxable to Mississippi. Enter the amount of such interest reported as income on Form 1065, **net of expenses**.

Line 11. Wages Adjustment Federal income tax laws allow certain employment tax credits based on wages paid to employees, and a portion of the wages on which the credit was based is not allowed as a deduction. Mississippi does not allow these credits. Enter the amount by which wages were reduced on the Form 1065 by employment tax credits (such as the Targeted Jobs Credit).

Line 12. Enter the amount of gain that is subject to nonrecognition under Section 27-7-9(f)(10) that is included in Line 2 above. Certain long term capital gains from the sale of stock in domestic (Mississippi) corporations, or interests in domestic limited partnerships or domestic limited liability companies is exempt from income tax. Attach Form 83-135.

Line 13. Other Deductions Deduct any other item which is treated differently for Mississippi income tax purposes than was treated for Federal income tax purposes. Itemize here. Attach schedule if needed.

Line 14. Total Deductions Self-explanatory.

Line 15. Net Income or Loss for State Purposes Self-explanatory.

Note: The amount on Line 15 represents the amount taxable to resident partners even if a multistate partnership return is filed. If you are a 100% Mississippi taxpayer (as opposed to multistate), skip Lines 16 through 19 and enter the amount shown on Line 15 on Page 1 Line 6a. **Multistate taxpayers must complete Lines 16 - 19 for apportionment purposes.**

Line 16. Add: Net Loss from Federal Form 4797 Enter the amount of net loss, if any, shown on Page 1, Form 1065. This adjustment is necessary because Form 83-140 and/or Form 83-145 must be used to report these transactions for Mississippi purposes. See Form 86-105, Page 1, Line 12.

Line 17. Add: Net Capital Loss Enter the net amount of capital loss from Form 1065, Schedule K, Lines 4d and/or 4e. This adjustment is necessary because Form 83-135 must be used to report these transactions for Mississippi purposes. See Form 86-105, Page 1, Line 11.

Line 18. Add: Net Loss under Section 1231 Enter the amount of loss from Federal Form 1065, Schedule K, Line 6. This adjustment is necessary because

Form 83-140 and/or Form 83-145 must be used to report these transactions for Mississippi purposes. See Form 86-105, Page 1, Line 12.

Line 19. Deduct: Net Gain from Federal Form 4797 Enter the amount of net gain, if any, shown on Page 1, Form 1065. This adjustment is necessary because Form 83-140 and/or Form 83-145 must be used to report these transactions for Mississippi purposes. See Form 86-105, Page 1, Line 12.

Line 20. Deduct: Net Capital Gain Enter the net amount of capital gain from Form 1065, Schedule K, Lines 4d and/or 4e. This adjustment is necessary because Form 83-135 must be used to report these transactions for Mississippi purposes. See Form 86-105, Page 1, Line 11.

Line 21. Deduct: Net Gain under Section 1231 Enter the amount of gain from Federal Form 1065, Schedule K, Line 6. This adjustment is necessary because Form 83-140 and/or Form 83-145 must be used to report these transactions for Mississippi purposes. See Form 86-105, Page 1, Line 12.

Line 22. Adjusted Federal Form 1065 Income or Loss for Multistate Partnerships (Line 15, plus Lines 16 through 18, minus Lines 19 through 21) Enter the result here and on Form 86-105, Page 1, Line 6b.

District Offices of the State Tax Commission

- Brookhaven**
212 South 1st Street 601-833-4761
- Columbus**
4072 Highway 45 North 662-328-3271
- Greenwood**
117B Grand Blvd. 662-453-1742
- Gulf Coast**

- 1141 Bayview Ave. (Biloxi) 228-896-1393
- Hattiesburg**
17 JM Tatum Industrial Dr., Ste 2 601-545-1261
- Jackson**
1577 Springridge Rd, (Raymond). 601-923-7300
- Meridian**
2600 Old Northhills Street 601-483-2273
- Senatobia**
115 South Ward Street 662-562-4489
- Tupelo**
4008 West Main Street 662-842-4316

Completing the Return

Use black ink when preparing this return. Additional schedules or attachments may be stapled to the return. Follow the line instructions on the return. Additional specific instructions follow.

Round to the Nearest Dollar

All dollar amounts should be rounded to the nearest whole dollar (no pennies). Round down to the next lower dollar amounts under \$.50 and round up to the next higher dollar amounts of \$.50 and over. For example: \$2.15 becomes \$2.00; \$4.75 becomes \$5.00; and \$3.50 becomes \$4.00.